Abstract

This study examines whether there exists any evidence to support the notion that variations across firms in observed ownership structures cause systematic variations in observed firm performance. Ownership structure and its impact has been widely researched internationally without showing any consistent results, so it brings curiosity among researchers to explore it more and more to get generalised results. Though this topic is not new to India but there are not much solid evidences which can be generalised. Measures of firm performance have varied from study to study. Performance measures have included financial measures such as Tobin’s Q, accounting measures such as Return on Assets and net profit, and measures of returns to shareholders. Based on these findings, a substantial question about the nature, direction and strength of the relationship between different stockholdings and firm financial performance still exists. This study examines various ownership and firm financial performance relationships in the context of BSE 100-Index firms. While increasing the number of measures of ownership, higher accuracy and detail in measuring any ownership-performance effects are obtained. Prior research employs one to three measures of firm performance. This study considers four major categories from ownership structure and three most reliable measures of firm performance comprising both accounting based measures and market based measures.

In this study, secondary data has been used and collected from Prowess and Capitaline databases. Sample used is BSE 100-Index companies for 15 years from 2000-2014. Hence the data is panel data in nature. Behaviour of entities is observed across time under panel dataset. Variables used for this study are selected after extensive review of literature. Independent variables i.e., measures of ownership used in the study are promoters holding, non-promoters holding, non-promoters institutional holding and non-promoters non institutional holding. And variables used to measure the firms performance has been taken from both accounting based measure and market based measures by taking three aspects into consideration which are; firms profitability, market valuation of firms and dividend policy of the firms. Also ownership structure of selected firms is analysed. Panel data regression model is used in the study along with descriptive statistics, trend analysis, and growth rate analysis. In order to get unbiased results pooled regression analysis is first applied and then with the help of f-test and
Hausman test it is decided which model is suitable for the study. With f-test being significant, panel data regression model fits best for the study. Regression models are applied one by one taking one independent variable and one dependent variable into account at a time.

The results indicate that the overall ability of ownership to explain changes in firm performance cannot be explained. The results show that total overall ownership does not explain firm performance in one aspect; rather this study shows that different aspects of ownership structure and firm performance should be studied individually so as to get the more practical results. This study confirms that accounting measurement and economic/market measurement look at different facets of the firm in determining the level of performance, subsequently producing different sets of corresponding results.

Also, in India ownership structure is concentrated in the hands of promoters, where 42 percent of firms are holding more than 50 percent of shares. Institutional and retail investors are having significant impact on majority of the performance variables. This indicated that dispersed investors are given room to influence the market.